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SUBJECT: STATE GOVERNMENT AND UNION PROMOTE JOBS IN COAHUILA
BUT AT WHAT COST?

REF: MEXICO 2285

11. SUMMARY: The government of the northern Mexican state of Coahuila and the national union of the Mexican Workers Confederation (CTM) recently took advantage of a newly published university study positively highlighting the state,s economic growth to sign an agreement promoting job growth and competitiveness. The study, conducted under the auspices of the Monterrey Technology Institute (the Mexican MIT), measured government efficiency, ease of doing business, economic performance and infrastructure. During the signing of the agreement the CTM underscored the union,s commitment to working with Mexico,s private sector, both locally and nationally, to promote job growth. The union also suggested that its agreement with Coahuila,s government could be a model applicable to other parts of Mexico. For his part the Governor of Coahuila announced new investment that he said would generate around 3-5,000 new jobs. On the surface, the job situation and economic performance of Coahuila appear to be quite good. However, there are some who question the cost, in terms of employee rights, fair wages and health conditions that Coahuila,s workers are paying for the state,s surface prosperity. END SUMMARY

UNIVERSITY STUDY GIVES COAHUILA HIGH ECONOMIC MARKS

12. According to study published at the end of May by the Graduate School of Public Administration and Public Policy (EGAP) of the Monterrey Technology Institute (the Mexican MIT), the northern Mexican state of Coahuila has made impressive economic gains. The EGAP study rated Coahuila as number five nationally (of thirty-one (states plus the Mexico City Federal District) in terms of economic performance. The study drew on data from 2006 and January of 2007 and measured such factors as government efficiency, ease of doing business and infrastructure. The last time EGAP conducted a similar study was in 2003. At that time Coahuila received a ranking which put it in eighth place on a national rating.

13. The only other Mexican states/areas to place ahead of Coahuila, beginning were (in descending order) Nuevo Leon, Mexico City, Baja California Sur and Baja California. If the metric of infrastructure was removed, Coahuila moved from

fifth to third place. The EGAP study was cited frequently by the Coahuila,s Governor, Humberto Moreira Valdes, as independent recognition of the state,s overall positive economic performance. Post notes that Governor Moreira, and almost all local media coverage of the study, focused on the third place ranking (without measuring infrastructure) as opposed to the fifth place ranking (which did measure the impact of infrastructure).

UNION, STATE GOVERNMENT AND PRIVATE SECTOR SIGN JOBS PACT

¶4. Thanks to what was undoubtedly good public relations planning, the timing of the release of the EGAP study coincided with two others high profile local events. The first event was a General Assembly meeting of the Coahuila State Counsel of the Mexican Workers Confederation (CTM). The CTM is the rough Mexican equivalent of AFL-CIO in the US. The union,s state leader, Tereso Medina Ramirez personally invited Mission Mexico,s Labor Counselor to attend the General Assembly which would be presided over by the CTM national leader, Secretary General, Joaquin Gamboa Pascoe.

¶5. The second event, and clearly the more significant from the CTM,s perspective, was the signing of an agreement to promote jobs, investment and competitiveness. The agreement, which was reportedly negotiated by Tereso Medina of the Coahuila CTM, was formally called the &Pact on Employment, Salaries, Productivity and Competitiveness8. The aim of the agreement was to formalize a pledge by union, the government of Coahuila and the state,s private sector to work together to promote employment intensive economic growth.

MEXICO 00003443 002 OF 003

¶6. Speaking on behalf of his administration, Governor Moreira promised that Coahuila,s government would do its part to generate the types of conditions that would facilitate investment. As an example this Governor Moreira announced investments that he claimed would generate between 3-5,000 new jobs. The investments would come from four different companies only one of which, Modelo Breweries, was specifically named at the signing event. In recent years Modelo has reportedly invest USD 520 million plants and operations in the state and Moreira claimed the brewery now planned to increase that investment by another USD 50 million.

¶7. (Comment: Although not specifically mentioned at the signing event, Mission Mexico notes that Coahuila has been very successful in recent months in attracting new investments. So far in 2007 the state has attracted such investments as a USD 425 million for a Freightliner truck plant which is expected to generate 2700 new jobs and Chrysler plans to invest USD 570 million in plant expansion beginning in June 2007 which will also generate more news jobs. End Comment)

¶8. Next came the state chapters of two different private sector organizations, COMPARMEX (a AMCHAM type of association) and CANACINTRA (a national grouping of manufacturers) signed the pact. These two organizations pledged to increase their levels of investment and efficiency in order to generate more jobs and raise worker salaries. Finally, the CTM undertook to help maintain and increase the number of jobs in Coahuila by providing labor stability through responsible unionism that worked intelligently to maintain a constant dialog with the state,s private sector. The Coahuila pact was enthusiastically praised but the CTM,s national leader, Secretary General Joaquin Gamboa who declared that he would like to see similar agreements implemented all over Mexico.

JOB GROWTH BUT AT WHAT COST?

¶9. The EGAP study and the claims of new job grow by Governor Moreira seem to indicate that good descriptions of Coahuila,s economic performance are well deserved. However, not everyone is in agreement that benefits of the state,s economic performance are actually reaching Coahuila,s workers. A knowledgeable American labor observer with long experience with both the US and Mexican organized labor movements does not deny that Coahuila is generating jobs at a noteworthy rate, especially in the area of manufacturing. However, this observer claimed that most of these jobs paid only the equivalent of between USD 45-65 per week. (Note: The legal minimum wage in Mexico is approximately USD 5.00 per day.)

¶10. While observer noted these wages are significantly better than no wages at all, they are not enough to keep local residents in Mexico when they have the clear example of how much more people are paid for similar jobs in the United States. The migration of workers from Coahuila to the US has indeed prompted the migration of workers into thee state of Coahuila from other parts of Mexico. According to our labor contact, these newly arriving workers are paid so poorly they often live in dilapidated and crowded housing conditions which are reportedly creating a serious and grow health problem in Coahuila.

¶11. These new workers are allegedly not being offered permanent jobs but rather temporary employment contracts. Under these contracts the workers are not registered under Mexico,s social security system which means they are not eligible for medical attention under the country,s national health care system and they do not accrue retirement benefits. All of this is purportedly taking place with the tacit concurrence of the Coahuila CTM which (according to the CTM itself) controls 80 percent of all collective bargaining contracts in the state.

MEXICO 00003443 003 OF 003

COMMENT

¶12. The EGAP study, coming as it does from one of Mexico,s premier universities, the Monterrey Technology Institute, undoubtedly presents an accurate picture of Coahuila,s economic performance. Invest and job growth are on the rise and the state government has clearly created an environment that is conducive to sustained economic growth. If this were the only aspect of the state,s economic performance to be considered the CTM,s national leader would be fully justified in declaring that he would like to see the Coahuila situation repeated throughout Mexico. Unfortunately, things may not be that simple. The unconfirmed claims of low salaries, poor housing conditions and denied worker benefits for at lease new workers in Coahuila are not surprising. However, given that just one labor union controls such a large percentage of all labor contracts in Coahuila, there would be very little anyone could do locally if indeed that organization decided to tacitly look the other way instead of forcefully standing up for the workers.

¶12. This message was cleared by AmConsul Monterrey.

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